



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 17, 2001

### **S. 739**

#### **Heather French Henry Homeless Veterans Assistance Act**

*As ordered reported by the Senate Committee on Veterans' Affairs on August 2, 2001*

#### **SUMMARY**

S. 739 contains several provisions that would change how the Department of Veterans Affairs (VA) provides assistance to homeless veterans. The bill would extend the authority for VA to provide health care to homeless veterans outside of VA facilities. S. 739 also would require VA to establish at least five new comprehensive homeless services centers and increase funding for programs that provide shelter to homeless veterans. In addition, the bill would authorize more money for the homeless veterans reintegration program operated by the Department of Labor.

S. 739 would authorize funding or modify provisions governing discretionary spending for veterans' programs, which CBO estimates would result in additional outlays of \$37 million in 2002 and \$342 million over the 2002-2006 period, assuming appropriation of the necessary amounts. Because the bill would not affect direct spending or receipts, pay-as-you-go procedures would not apply.

S. 739 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of S. 739 is shown in the following table. This estimate assumes that S. 739 will be enacted by October 1, 2001, and that the necessary amounts will be appropriated for each year. The costs of this legislation fall within budget functions 500 (education, employment, and social services) and 700 (veterans benefits and services).

	By Fiscal Year, in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
<b>VETERANS' MEDICAL CARE</b>						
Baseline Spending Under Current Law						
Estimated Authorization Level <sup>a</sup>	20,863	21,866	22,110	22,839	23,547	24,285
Estimated Outlays	20,418	21,501	22,020	22,613	23,298	24,028
Proposed Changes						
Estimated Authorization Level	0	36	37	39	40	40
Estimated Outlays	0	33	37	38	39	40
Spending Under S. 739						
Estimated Authorization Level	20,863	21,902	22,147	22,878	23,587	24,325
Estimated Outlays	20,418	21,534	22,057	22,651	23,337	24,068
<b>ASSISTANCE FOR GRANT APPLICATIONS</b>						
Spending Under Current Law						
Estimated Authorization Level	0	0	0	0	0	0
Estimated Outlays	0	0	0	0	0	0
Proposed Changes						
Estimated Authorization Level	0	1	1	1	1	1
Estimated Outlays	0	1	1	1	1	1
Spending Under S. 739						
Estimated Authorization Level	0	1	1	1	1	1
Estimated Outlays	0	1	1	1	1	1
<b>HOMELESS VETERANS REINTEGRATION PROGRAM</b>						
Spending Under Current Law <sup>b</sup>						
Authorization Level	15	20	20	0	0	0
Estimated Outlays	0	2	14	18	6	0
Proposed Changes						
Authorization Level	0	30	30	50	50	50
Estimated Outlays	0	3	21	32	44	50
Spending Under S. 739						
Authorization Level	15	50	50	50	50	50
Estimated Outlays	0	5	35	50	50	50
<b>SUMMARY OF CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>						
Estimated Authorization Level	0	67	68	90	91	91
Estimated Outlays	0	37	59	71	84	91

- a. The 2001 level is the estimated amount appropriated for that year. The current-law amounts for the 2002-2006 period assume that appropriations remain at the 2001 level, with adjustments for inflation.
- b. This program was authorized by Public Law 106-117, but the Congress has not appropriated any money for it yet. "Spending Under Current Law" reflects the prior authorization and CBO's estimate of outlays if funds were appropriated for 2002 and 2003.

## **BASIS OF THE ESTIMATE**

**Veterans Medical Care.** CBO estimates that implementing S. 739 would increase discretionary spending for veterans' medical care by \$33 million in 2002 and by \$187 million over the 2002-2006 period.

*Comprehensive homeless services program.* Under current law, VA provides at least 15 different programs to assist homeless veterans. These services are provided in over 140 cities across the country but no one location offers all of the programs. Within this framework, VA operates eight centers that offer comprehensive homeless services. Under section 9, VA would be required to establish at least five new similar centers.

Since none of the existing centers provide exactly the same services, CBO assumes that these new centers would offer those services that are provided by a majority of the existing centers. Seven programs are provided by at least four of the eight centers including domiciliary care for homeless veterans, compensated work therapy, and the grant and per diem programs. Of the seven programs, six are not available in most major metropolitan areas where these new centers would likely be established. For those programs that do not already exist in these metropolitan areas, CBO used data from VA to calculate the average cost to establish and administer each program. CBO estimates that creating these comprehensive homeless services centers and operating these programs would cost \$11 million in 2002 and \$59 million over the 2002-2006 period, assuming appropriation of the estimated amounts.

*Grant and per diem programs.* Under current law, VA may provide grants to nonprofit organizations that serve the homeless. These grants partially subsidize the construction, acquisition, and outreach costs of providing shelter and beds to homeless veterans but not the daily costs of the operation. VA may also provide a per diem payment that covers not more than 50 percent of the daily costs of providing shelter to homeless veterans. These rates are calculated annually to ensure that VA does not pay more than half of the daily costs of providing shelter. In 2001, VA estimated that it would spend about \$33 million on the two programs. Funding for these programs comes from VA's annual appropriation for medical care.

Section 9 of S. 739 would allow VA to spend not less than \$55 million of its annual medical care appropriation on the grant and per diem program with that amount increasing at the same rate that the annual medical care appropriation increases. CBO assumes that in the absence of this bill, VA would continue to spend what it has in the past on the grant and per diem program, with adjustments for inflation. Accordingly, CBO estimates that this provision would increase spending by \$19 million in 2002 and by \$107 million over 2002-2006 period, assuming appropriation of the authorized amounts.

Section 7 would affect the grant and per diem programs by changing the way per diem rates are calculated. Under the bill, VA would use the same rate that is authorized for veterans receiving domiciliary care at VA State Homes. That rate is about \$3 per day higher than the average rate paid for homeless shelter. According to VA, the number of beds in use will double from 2,500 in 2001 to about 5,000 in 2003. Thus, CBO estimates that this provision would cost \$3 million in 2002 and \$21 million over the 2002-2006 period, assuming appropriation of the estimated amounts.

*Medical care for homeless veterans.* Section 9 would extend for five years a provision of current law that allows VA to provide outreach services to homeless veterans and medical care in non-VA facilities including community-based treatment facilities and halfway houses. This provision is due to expire on December 31, 2001. VA currently plans to spend about \$60 million in 2001 to provide medical care to homeless veterans both in and out of VA facilities. Based on data from VA, CBO estimates that about 20 percent of that care is provided under the expiring provision. Consequently, CBO estimates that allowing VA to continue these services would cost \$8 million in 2002 and \$60 million over the 2002-2006 period, assuming appropriation of the estimated amounts. Because VA is currently funding this program, the costs associated with this provision are assumed in the baseline levels shown for medical care.

**Assistance for Grant Applications.** Section 12 would authorize \$750,000 in each of fiscal years 2002 through 2006 for technical assistance grants to not-for-profit groups with experience in providing assistance to homeless veterans. These funds would help the groups in applying for grants relating to addressing problems of homeless veterans. CBO estimates that implementing this section would cost about \$4 million over the 2002-2006 period, assuming appropriation of the authorized amounts.

**Homeless Veterans Reintegration Program.** Section 13 would increase the authorization of appropriations to be used by the Department of Labor to integrate homeless veterans into the labor force from \$20 million to \$50 million for 2002 and 2003. It would also authorize \$50 million a year for 2004, 2005, and 2006. Although the program was authorized by Public Law 106-117, the Congress has not yet appropriated any money for it. CBO estimates that the increased authorization would cost \$3 million in 2002 and \$150 million over the 2002-2006 period, assuming appropriation of the authorized amounts.

**PAY-AS-YOU-GO CONSIDERATIONS:** None.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

S. 739 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

## **PREVIOUS CBO ESTIMATE**

On April 12, 2001, CBO prepared a cost estimate of H.R. 936, also called the Heather French Henry Homeless Veterans Assistance Act. Sections 7, 12, and 13 in S. 739 are identical to sections 8, 17, and 19 in H.R. 936. Unlike section 12 of H.R. 936, section 8 of S. 739 would not change the benefit for dental care for homeless veterans. In addition, section 9 of S. 739 is similar to section 13 of H.R. 936, but S. 739 does not contain any provisions regarding mental health, or opioid substitution therapy and authorizes at least five additional comprehensive homeless services programs as opposed to 14 additional programs under H.R. 936.

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